



## **GIBS MBA Entrepreneurship Course**

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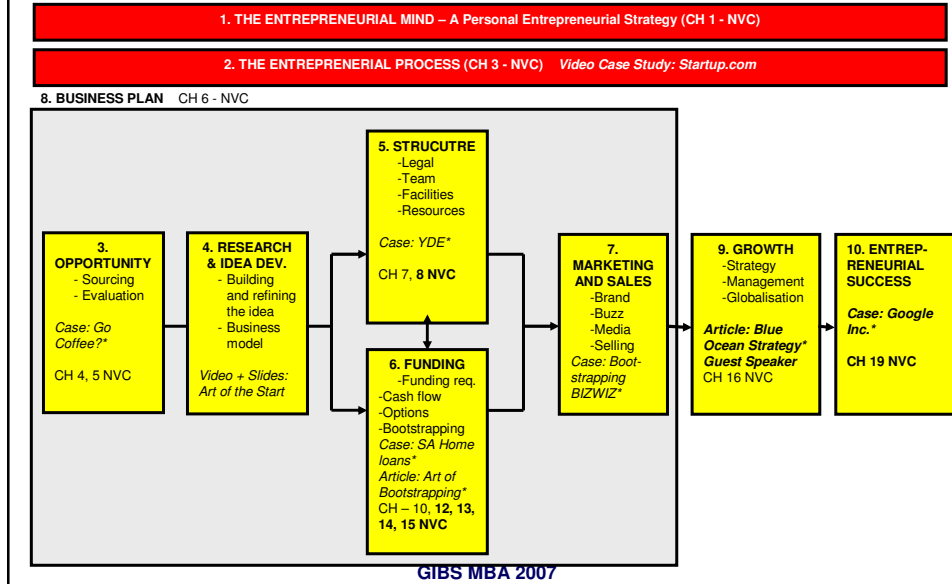
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## **Intro**

### **Entrepreneurial Intro**

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# Learning Map



# Learning Philosophy

- This is **YOUR** career and **YOUR** programme. You will take ownership of your development and your progress.
- You will learn by **DOING**. You will be expected to engage in discussions and activity inside and outside of the class room.
- **GROUP WORK** is central to the learning process.
- **CLASS ATTENDANCE** is essential.
- You must **PREPARE BEFORE** the class commences. There will be no spoon feeding or formal lectures conducted at students. Sessions will be interactive and vibrant. You will be challenged and your competencies will be tested and developed.
- Suggestions and feedback will be welcomed and appreciated, please feel free to contact me at any point to discuss issues and concerns.

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## Logistics / Admin

- Communication: E-mail is best
- Telephonic contact during office hours 0824505294.
- Meetings
  - GIBS: Before and after class OR make an appointment via email

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## Audio versions of the case studies

- Audio versions of case studies available on my blog or on CD
- This is a supplement to reading the cases and not a substitute for it.
- You can get the following in an audio format:
  - Go Coffee case
  - Young Designers Emporium case
  - SA Home Loans case
  - Bootstrapping Bizwiz
  - Google Inc.
- Electronic copies of the slides on my blog

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# Assignments

- **Assignment 1: INDIVIDUAL assignment**  
**“An Interview with an Entrepreneur”**
  - Due Dates: **Start of first class**
  - 6 to 8 page case study + excel spreadsheet submitted electronically
- **Assignment 2: GROUP assignment –**  
**“The Grand Challenge”**
  - Syndicate group will be given R1000. You are required to turn this into as much money as possible in a specified period. You can do anything that is legal and ethical to grow this amount of money.
  - You are required to write a report detailing what you did to grow the initial R1000. Report should be no longer than 3 pages.
  - When handing in your report, you will also be required to hand over the initial capital and the profits of the enterprise. The initial capital will be returned to the angel investor and the profits will be distributed to a charity that will be chosen by the class.
  - Due Date: you are required to hand in this assignment on the **Friday after you have written your exam** i.e. 5 days after the exam has been written.

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# Marks

- INTERVIEW with an entrepreneur case study: **15%** of your final mark.
- GRAND CHALLENGE: **15%** of your final mark.
- CLASS PARTICIPATION: **10%** of your final mark.
- EXAM: **60%** of your final mark.

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## Exam

- Examination: 3-hour open book paper.
- The paper will consist of the evaluation of a case study or a business plan.
- Expect the unexpected.
- Integrative course (integrate knowledge from other subjects)
- You will be required to THINK

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## Your Attitude

- Challenge conventional thought!
- Think - it really helps!
- Introspection - know thyself!
- Hard work and tenacity
- Resilience – end of a tough period!
- Humour and fun - don't take yourself or life too seriously!
- Be creative and innovative!
- Don't complain about petty things - life is not fair!

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## Case Study Preparation

- Read
- Questions
- Group interaction

**BE PREPARED!!!!**

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## Definitions of Entrepreneurship

“An entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation.”

Joseph Schumpeter (1950)

“An entrepreneur is the kind of person willing to put his career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture with an uncertain outcome.”

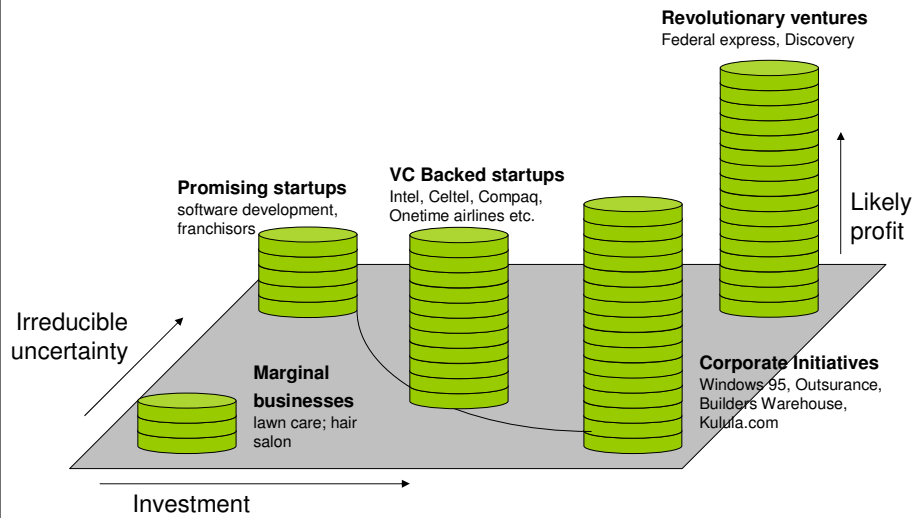
Peter Drucker (1970)

“Entrepreneurship is the process of discovering, evaluating and exploiting opportunities to create new business ventures ... the entrepreneur acts without regard to the resources under their control in the relentless pursuit of the opportunity.”

Jeffrey Timmons (1982)

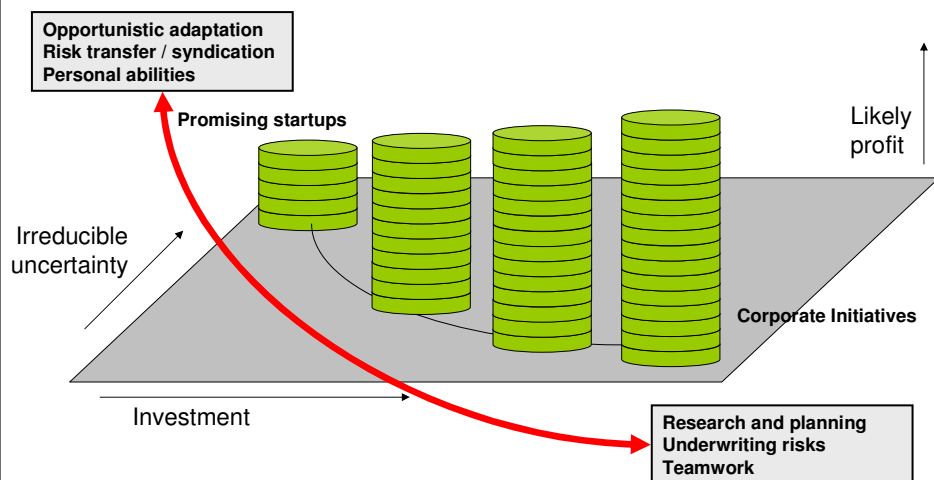
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# The Landscape



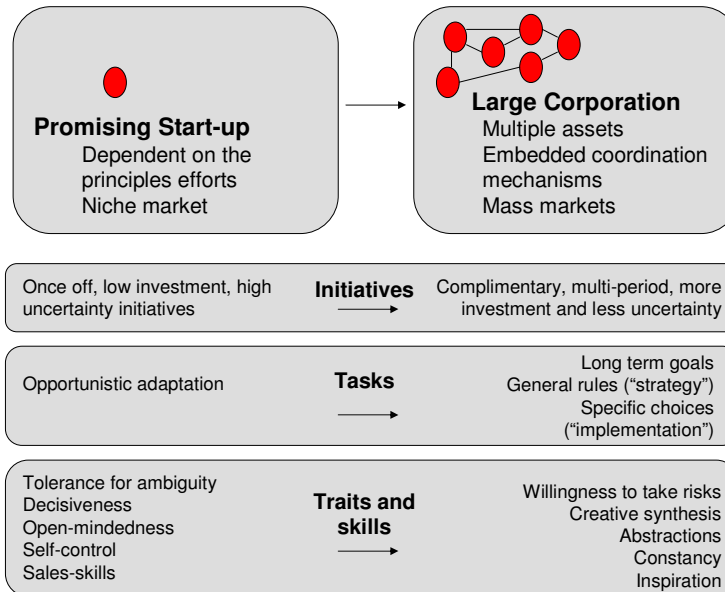
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# Distribution of Significant Initiatives



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# Firm Evolution



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## Promising Start-ups vs. Initiatives of Large Corporations

	Promising Start-ups	Corporate Initiatives
<b>Endowments and constraints</b>	Lack of novel ideas and experience – severe capital constraints	Ample capital but subject to extensive checks and balances
<b>Nature of opportunities</b>	Low investment and likely profit, high uncertainty	High investment and likely profit, low uncertainty.
<b>Reliance on adaptation</b>	Extensive adaptation, limited prior planning and research	Extensive prior planning and research, limited adaptation
<b>Securing resources</b>	Entrepreneur transfers or syndicates risk to resource providers	Firm underwrites risk, signals commitment – risk therefore taken by shareholders
<b>Differentiating factors</b>	Entrepreneurs personal capacity to adapt and persuade resource providers	Joint effort of many personnel and functions; soundness of initial concept

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# Entrepreneurship in SA

The latest Global Entrepreneurship Monitor (GEM) data shows that SA's entrepreneurship ranking has dropped to 30<sup>th</sup> position (out of 42 countries) from 25<sup>th</sup> position (out of 35 countries) in 2005 from 20<sup>th</sup> (out of 34 countries) in 2004.

Year	Ranking	TEA
2004	20/34	5.4%
2005	25/35	5.1%
2006	30/42	5.2%

And our Total Early-stage Activity (TEA) was only 5.2 percent in 2006, compared with over 15% in countries such as New Zealand, Thailand and Venezuela

## WHY?

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# SA Entrepreneurial Case Studies

## What were your key learning points?

- Discuss in groups
- Consolidate your thoughts
- Feedback to class

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## govWorks.com case study

### **Questions**

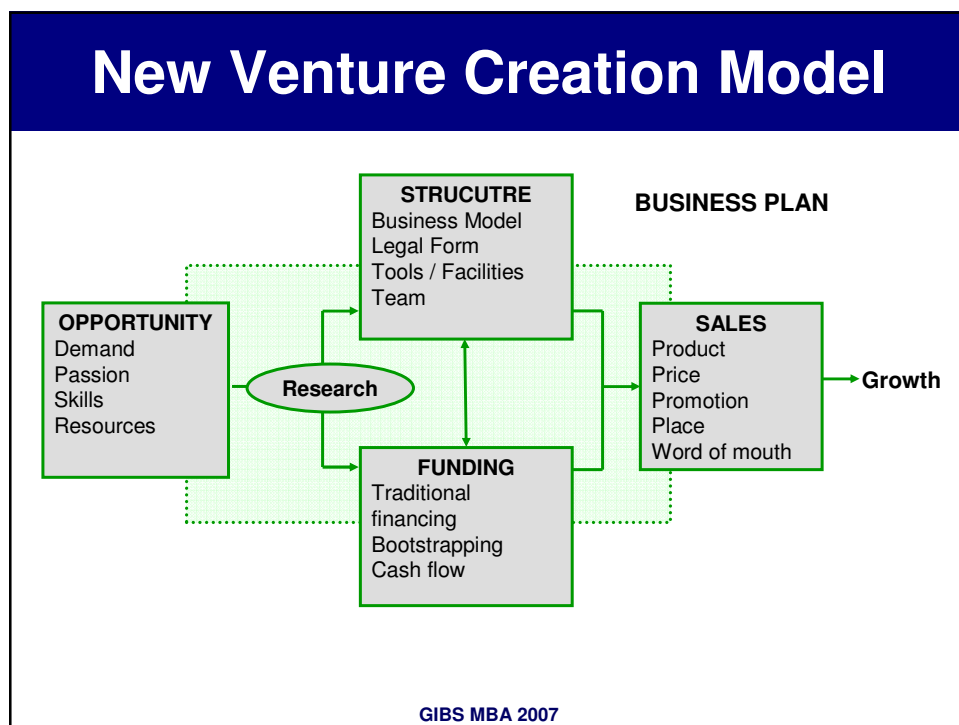
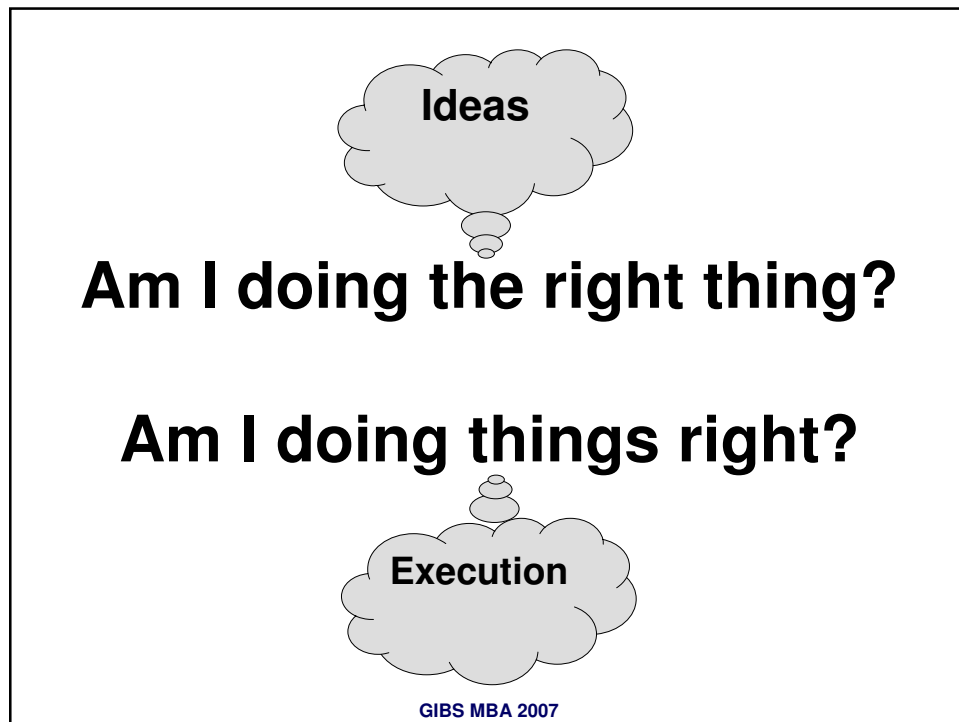
1. Identify the key steps and activities in launching an new venture. Link these steps and activities together into a process or conceptual model.
2. Describe what the govWorks.com founders have done well in establishing their business.
3. What are the weaknesses in the govWorks.com business creation process? Describe the weaknesses and make recommendations for improvement.
4. Do you think that govWorks.com going to make it? Justify your answer.

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**Am I doing the right thing?**

**Am I doing things right?**

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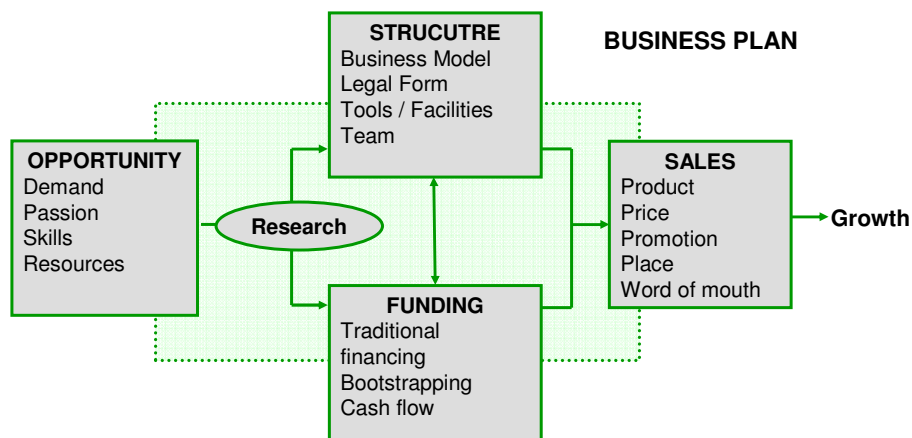


## Key Learning Points

- See entrepreneurship and innovation as a process
- Process approach creates structure and discipline in ones thinking
- **BUT** in reality, starting a business or innovating within an organisation is far more **messy** and **chaotic** than what we perceive in a clear cut process
- So adopt the process approach with caution and be on your guard for all the events that can come along and throw you off track.

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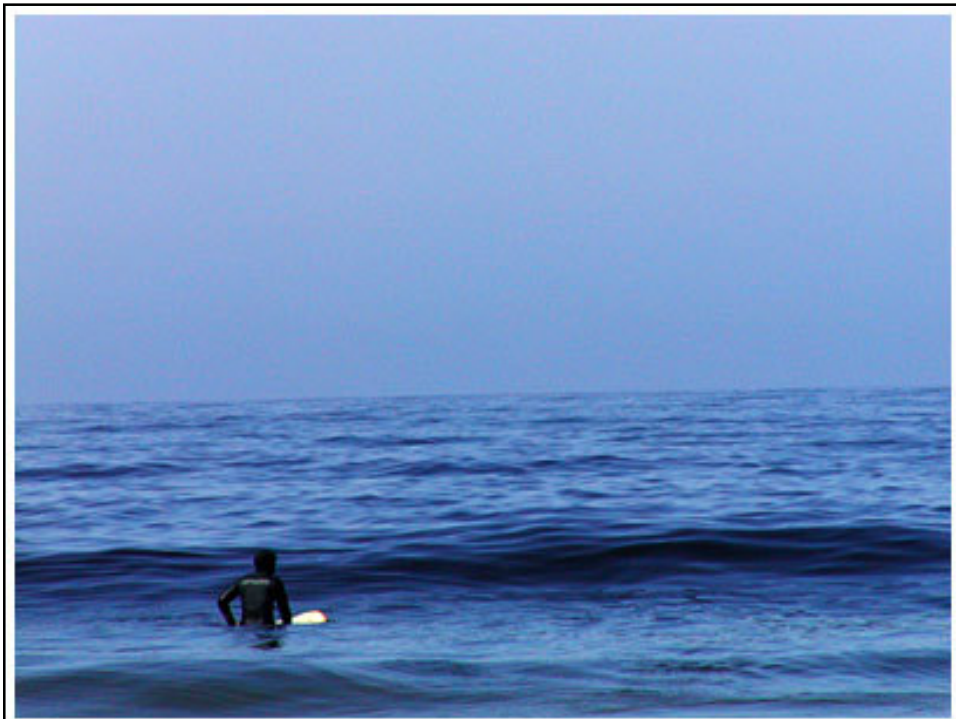
## New Venture Creation Model



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# Opportunity

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## Mindsets – Enable us to read trends

1. Most things remain constant
2. The future is embedded in the present
3. Focus on the score
4. Understand how powerful it is not to have to right
5. See the future as a picture puzzle
6. Don't get so far ahead of the parade that they don't know you are in it
7. Things we expect to happen always happen more slowly
8. Consider the ecology of technology

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## Business Trends

### In groups of 4 – 6 people

- Discuss different issues arising in the business landscape
- Identify 3 clear trends
  - Describe the trend
  - Justify why you think that this is a trend

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## Business Trends

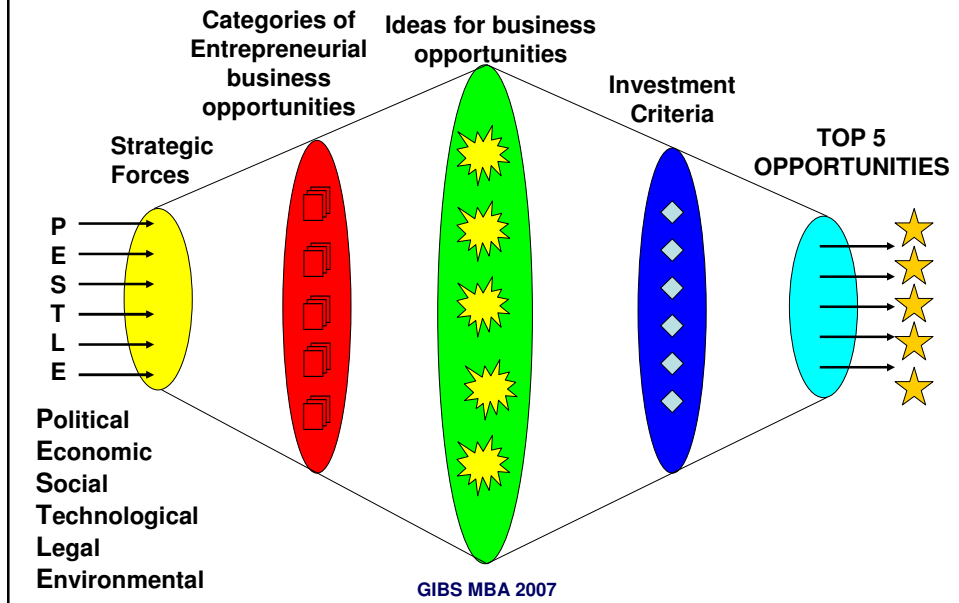
### In groups of 4 – 6 people

- Discuss different issues arising in the business landscape
- Identify 3 clear trends
  - Describe the trend
  - Justify why you think that this is a trend

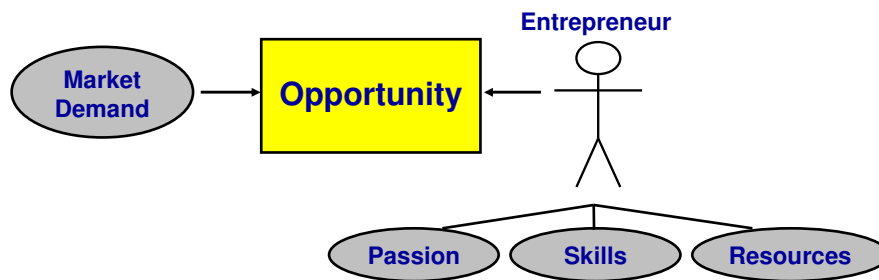
**Brainstorm  
entrepreneurial  
opportunities  
arising from this  
trend**

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# Identifying Opportunities

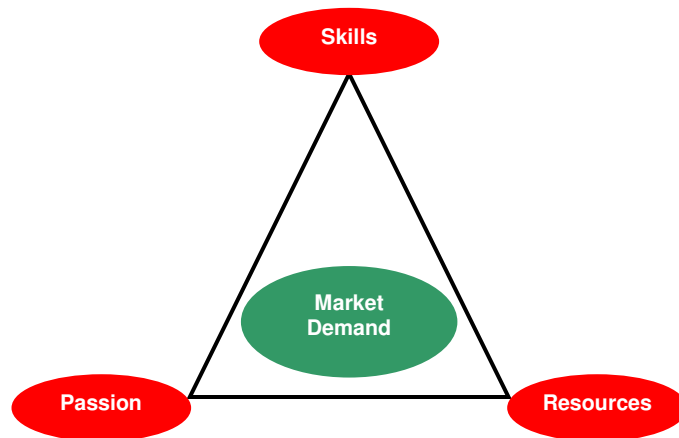


## The Key Elements in Creating an Entrepreneurial Opportunity





## Linking Market Demand with passion, skills and resources to create an entrepreneurial opportunity



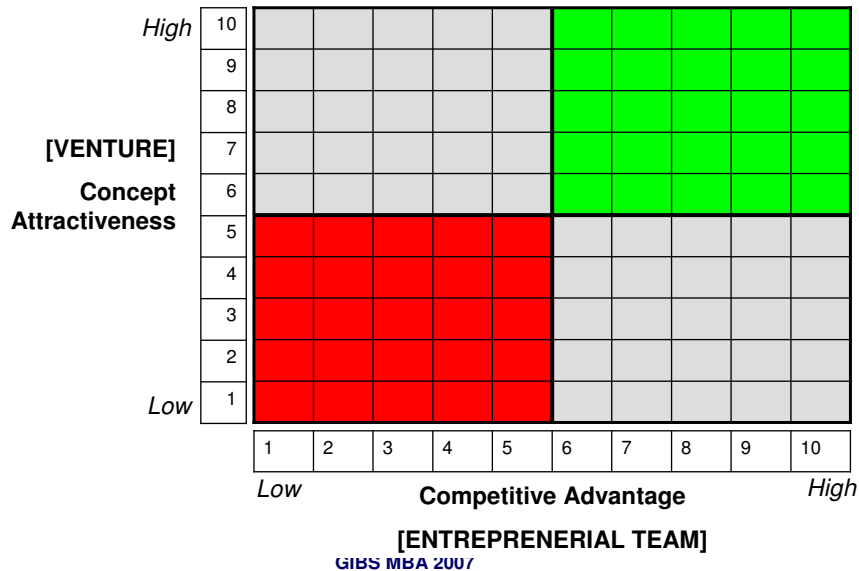
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## Key questions to sourcing the right opportunity

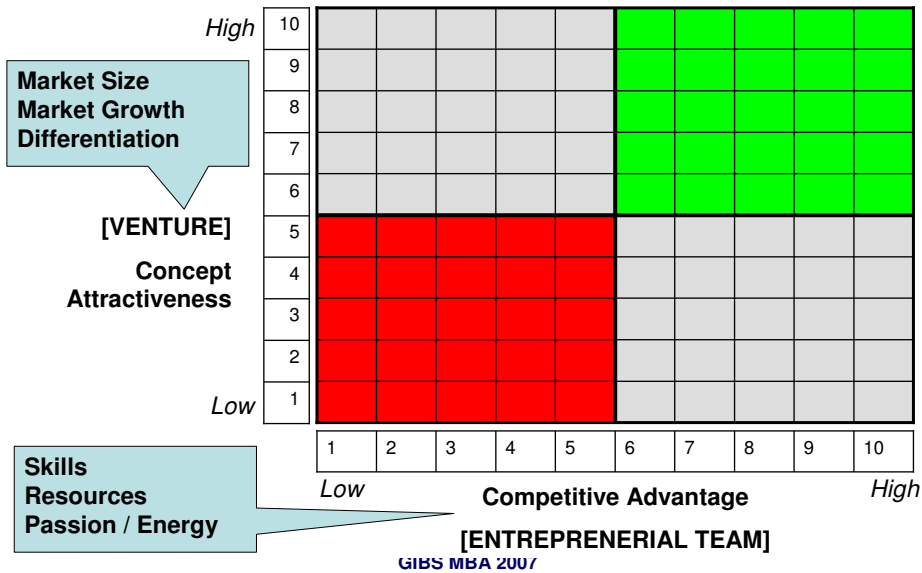
- **What** do people need? **Who** will buy it? **Why** do they want it? **How** can I reach them?
- What am I (are we) deeply **passionate** about?
- How can I leverage my (our) **unique skills**?
- Where can I (we) get the **resources** to make it happen?

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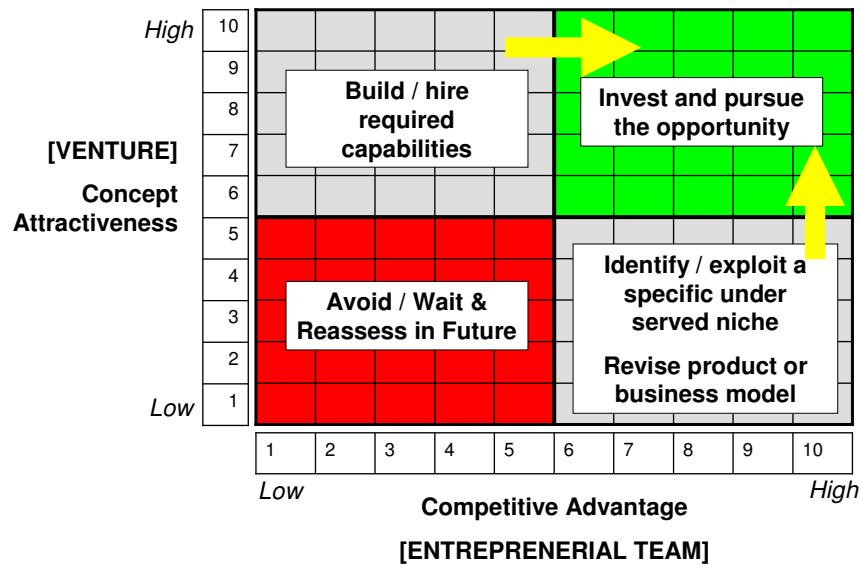
# Assessing an Opportunity



# Assessing an Opportunity



# Response

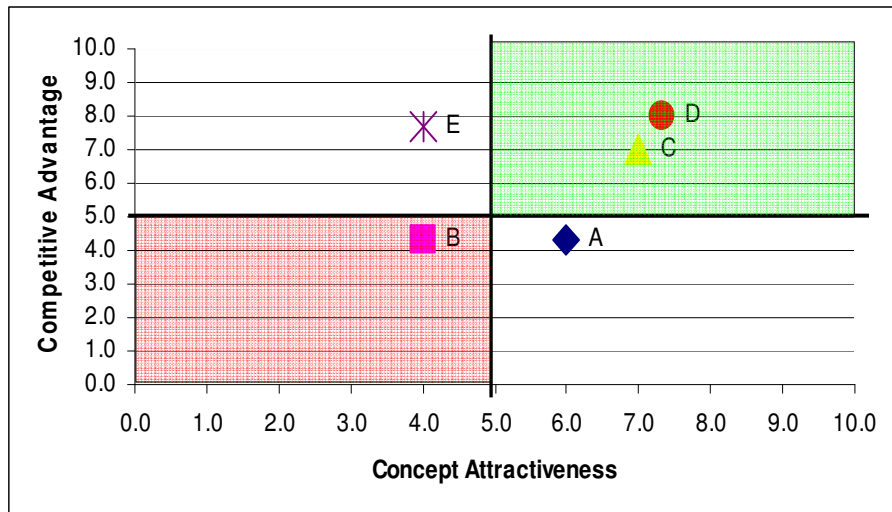


# Example

Microsoft Excel - Book1						
File Edit View Insert Format Tools Data Window Help						
A13 Research						
	A	B	C	D	E	F
1	IDEA	A	B	C	D	E
2	Concept Attractiveness	6.0	4.0	7.0	7.3	4.0
3	Market Size	4	4	7	6	3
4	Market Growth	8	3	8	9	5
5	Differentiation	6	5	6	7	4
6	Competitive Advantage	4.3	4.3	7.0	8.0	7.7
7	Skills	5	3	4	9	9
8	Resources	2	4	8	8	7
9	Passion / Energy	6	6	9	7	7
10						

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## Example



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## Go! Coffee Case Study

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## Go! Coffee Case Study

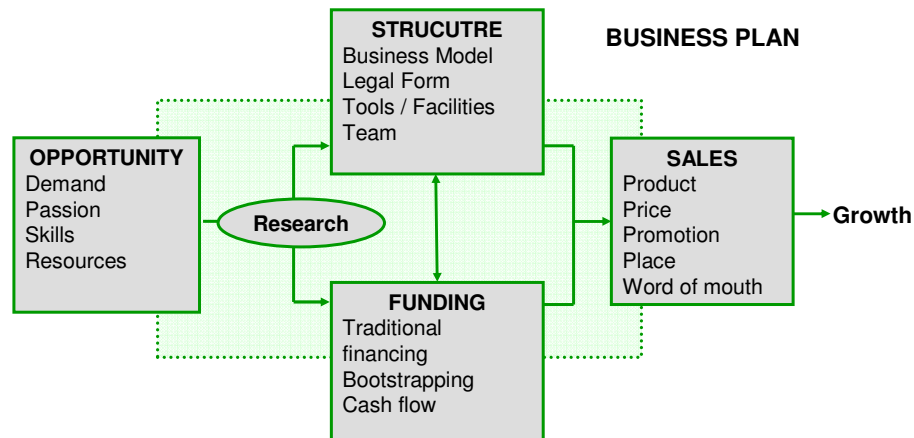
- Is this a good business opportunity?
- What would you recommend Middleton do?

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## Researching an Idea

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# New Venture Creation Model



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## Researching an Idea

	What needs to be researched?	How can one gather the information?
<b>Customers</b>	<ul style="list-style-type: none"> <li>Market size.</li> <li>Growth</li> <li>The needs pf customers</li> <li>The buying decision of customers</li> </ul>	<ul style="list-style-type: none"> <li>Trade journals, market reports and industry associations.</li> <li>Interviewing experts in the industry.</li> <li>Interviewing, observing or surveying potential customers.</li> </ul>
<b>Competitors</b>	<ul style="list-style-type: none"> <li>Number of competitors</li> <li>Product or service offerings of competitors</li> <li>Where the competitors are situated.</li> <li>The strengths and weaknesses of competitors</li> </ul>	<ul style="list-style-type: none"> <li>Become a customer of the competition.</li> <li>Visit competitor websites, stores and read their promotional material.</li> <li>Interview competitors customers</li> </ul>
<b>Collaborators</b>	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Funders</li> <li>Partners</li> </ul>	<ul style="list-style-type: none"> <li>Visit suppliers</li> <li>Discuss funding options with other entrepreneurs</li> <li>Discuss funding options with the banks</li> <li>Obtain and read the national venture capital association handbook</li> <li>Search the web</li> </ul>
<b>The Company Model</b>	<ul style="list-style-type: none"> <li>Revenue</li> <li>Cost drivers</li> <li>Investment</li> <li>Critical success factors</li> </ul>	<ul style="list-style-type: none"> <li>Consider different revenue models:</li> <li>Evaluate the costs and the costs drivers. Distinguish between fixed, variable and semi variable costs. Consider the source of costs:</li> <li>Do cash flow projections</li> <li>Speak to industry experts</li> </ul>

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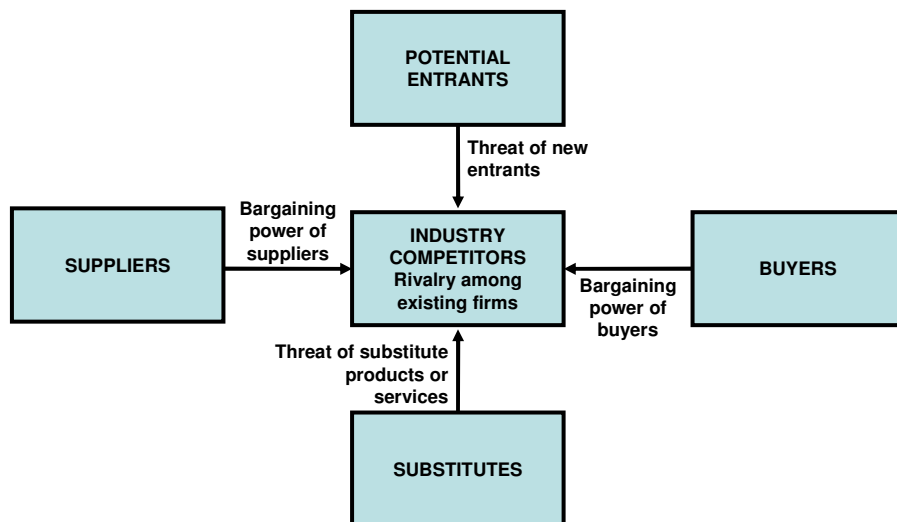
# Industry Analysis

- **Porter's five forces**

- Used to understand the dynamics in an industry
- Provides insight into who is likely to attain sustainable competitive advantage in an industry

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## Industry Analysis – 5 Forces



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# Competitor Analysis

- **Competitor Analysis**
  - Strengths and weaknesses of competitors
  - Identify opportunities to offer more value than competitors

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## Competitor Analysis

FACTOR	My Business	Strength	Weakness	Competitor A	Competitor B	Competitor C	Importance to Customer
Products							
Price							
Quality							
Selection							
Service							
Reliability							
Stability							
Expertise							
Company Reputation							
Location							
Appearance							
Sales Method							
Credit Policies							
Advertising							
Image							



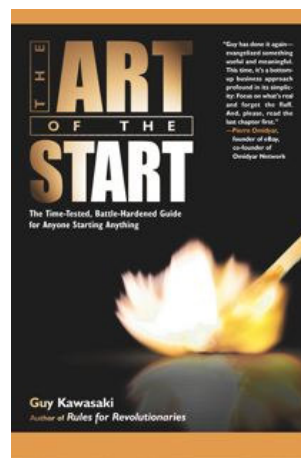
# Building the Business

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## The Art of the Start



Guy Kawasaki



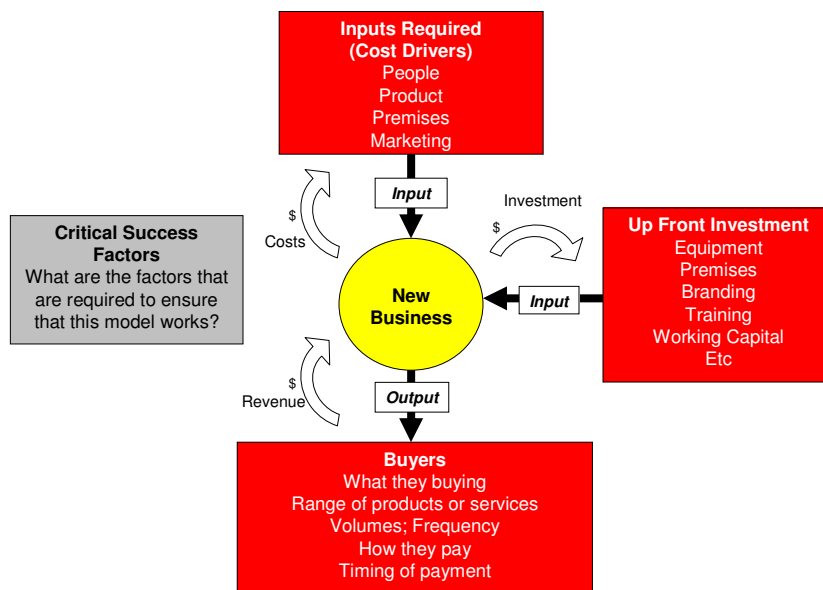
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## Key questions for building a business model

- What are the **sources of revenue** for the business?
  - Single or multiple revenue streams?
  - Payment terms – upfront, over a period of time or post delivery?
- What are the **cost drivers** for the new business?
  - Major costs incurred to generate revenue?
  - Nature of costs – fixed, variable or semi-variable?
  - Payment terms – upfront, over a period of time or post delivery?
- What size **capital investment** is required to launch and sustain the business?
  - To sustain a positive cash balance?
  - To make profit?
- What are the **critical success factors** for this business?
  - Identify the issues that will determine the success or failure of the business?

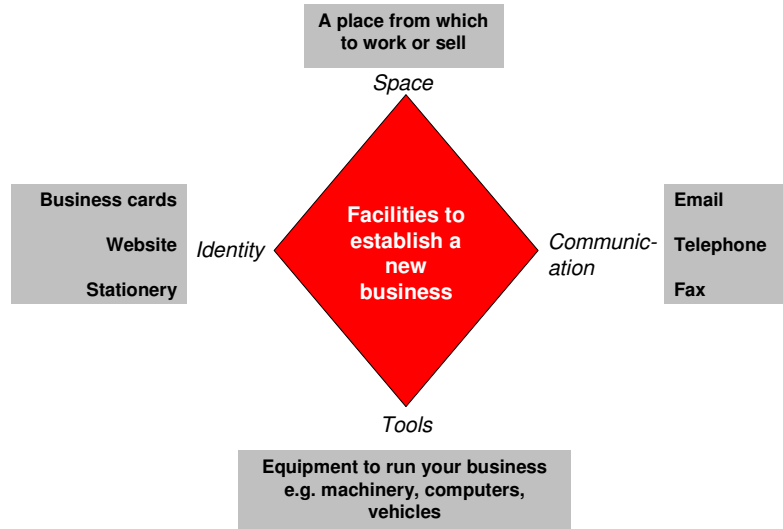
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## Business Model Diagram



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# Facilities for a new business

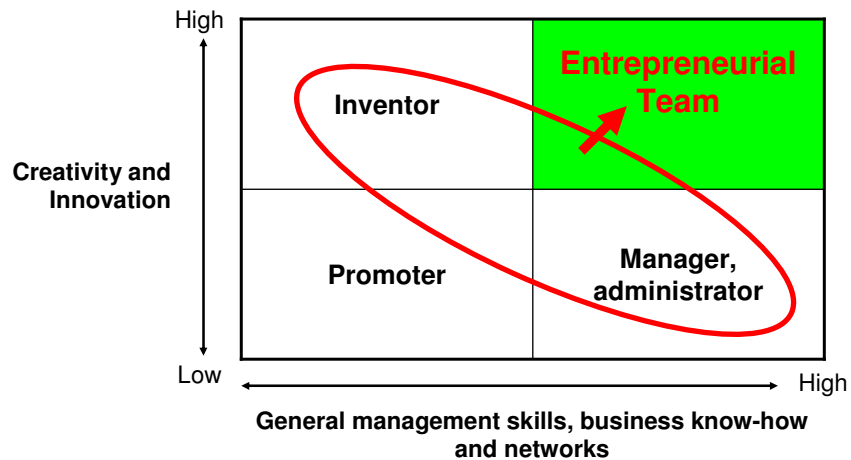


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## Legal Form for a Business

Details	Sole Trader	Partnership	Close Corp	Private Company	Public Company	Section 21 Company
Who is served?	Public	Public	Public	Public	Public	Community
How many people can participate?	1	2 - 20	1 - 10 natural persons	1 - 50	7 - unlimited	7 - unlimited
Separate legal entity?	No	No	Yes	Yes	Yes	Yes
Who manages the entity?	Owner	Partners	Members	Directors	Directors	Directors
Who is the owner?	Owner	Partners	Members	Shareholders	Shareholders	Members
How are decisions made?	None	Partners	Members	Normally one vote per share	Normally one vote per share	Articles of Association
Are owner's personally liable?	Yes, total assets of owner	Yes, total assets of partners	No, limited to member's contribution	No, limited to amount paid for shares	No, limited to amount paid for shares	No, limited to amount guaranteed
Audit required?	No	No	No - but must appoint accounting officer	Yes	Yes	Yes
Income Tax applic? What Rate?	Ind tax rates 18% - 40%	Ind tax rates 18% - 40%	Yes 29%	Yes 29%	Yes 29%	No
STC applicable? What Rate?	No	No	Yes 12.5%	Yes 12.5%	Yes 12.5%	No

# The Entrepreneurial Team



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Source: Timmons & Spinelli. New Venture Creation. 2004. McGraw Hill.

## Quality of the team

- Relevant experience and track record
- Motivation to excel
- Commitment, determination and persistence
- Tolerance for risk, ambiguity and uncertainty
- Creativity
- Adaptability
- Opportunity obsession
- Leadership
- Communication

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Source: Timmons & Spinelli. New Venture Creation. 2004. McGraw Hill.

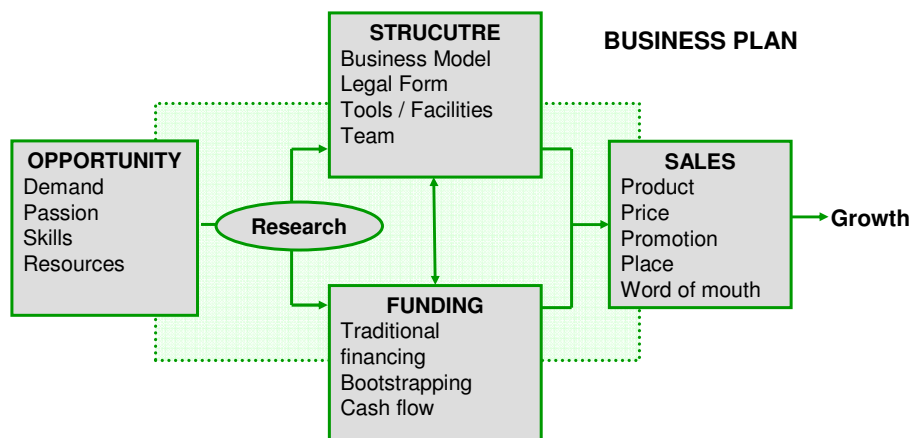
# YDE Case Study

## Questions

1. Describe the YDE business model? What is innovative about this business model?
2. For whom does YDE create value? Identify all the parties that get value within the YDE business model and describe what value they get.
3. What other products could be sold via a similar business model? Is it happening? If not, why not?
4. What mistakes has Paul Simon made in establishing and growing YDE. Identify his errors and describe what you would do differently?
5. What are the key entrepreneurial lessons in the YDE story? Identify the THREE most meaningful lessons.
6. Why did Paul Simon sell 75% of YDE to Truworths? Did he do the right thing (in your opinion)?

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# New Venture Creation Model



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